

Message Text

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 4917

INFO AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 6504

LIMDIS

E.O. 11652: GDS

TAGS: USEGJC EAID EGEN AS EG

SUBJECT: EMERGENCY ASSISTANCE FOR EGYPT: POSSIBLE AUSTRALIAN ROLE

SUMMARY: AUSTRALIAN PARTICIPATION IN EFFORTS PROVIDE EMERGENCY FINANCIAL ASSISTANCE FOR EGYPT, THROUGH EXTENSION OF LONGER PAYMENT PERIOD FOR WHEAT PURCHASES, APPEARS BOTH POSSIBLE AND WORTHWHILE. DEPT MAY WISH TO CONSIDER UTILITY OF RAISING MATTER WITH GOA. END SUMMARY.

1. AUSTRALIAN COUNSELOR ROSS BURNS REPORTS THAT AT ROME WORLD FOOD CONFERENCE, SECGEN MAREI APPROACHED AUSTRALIA'S MINAG WITH REQUEST FOR ASSISTANCE IN OVERCOMING EGYPT'S CURRENT FINANCIAL DIFFICULTIES. CONVERSATION DID NOT COVER ANYTHING MORE THAN GENERALITIES, BUT IMPRESSION WAS APPARENTLY LEFT THAT SOME FORM OF EXTENSION OF PRESENT, 12 MONTH PAYMENT SCHEDULE FOR WHEAT SALES WOULD BE ACCEPTABLE
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MEANS OF PARTICIPATION IN "INTERNATIONAL RESCUE OPERATION"

BEING UNDERTAKEN BY "LARGE NUMBER OF WESTERN NATIONS".
SAME SUBJECT HAS BEEN RAISED HERE WITH AUSTRALIAN AMBASSADOR.

2. AUSTRALIANS HAD BEEN UNDER SOME LOW-LEVEL AND INTERMITTENT PRESSURE DURING LAST SEVERAL MONTHS TO MODIFY CONTRACT FOR DELIVERY OF 1 MILLION TONS WHEAT THAT WAS SIGNED 1974 AT NEAR PEAK PRICE (ABOUT \$225 PER TON). EGYPTIANS HAVE BEEN URGING, SEMI-OFFICIALLY, THAT SINCE WORLD PRICE HAS DROPPED DRASTICALLY, SOME ADJUSTMENT SHOULD BE MADE TO REFLECT ALTERED CIRCUMSTANCES. ARGUMENT THAT GOE BENEFITTED GREATLY FROM LOWER PRICES IN EFFECT IN 1973 WHEN PREVIOUS CONTRACT WAS SIGNED WAS APPARENTLY NOT CONVINCING, BUT ISSUES NEVER SURFACED AT OFFICIAL LEVELS.

3. AUSTRALIANS ARE AWARE, IN GENERAL TERMS OF AN EFFORT BEING MADE TO PROVIDE EMERGENCY FINANCIAL ASSISTANCE TO EGYPT, AND BURNS MERELY WISHED TO ASSURE HIMSELF THAT THERE WAS INDEED SOME ACTIVITY IN THIS DIRECTION. (HE MENTIONED THAT SAUDI ARABIA AND KUWAIT WERE COMING FORWARD WITH 6-700 MILLION DOLLARS IN "NEXT FEW DAYS", AS REPORTED TO HIM BY CENTRAL BANK OFFICIAL ON WHOM HE PAID CALL.) HE INDICATED HIS GOVERNMENT IS WILLING TO CONSIDER LENGTHENING PAYMENT PERIOD (IT WAS PREVIOUSLY 18 MONTHS), BUT SINCE GOE IS NOW ONE MONTH IN DEFAULT ON PAYMENTS COVERING BOTH THIS YEAR'S AND LAST YEAR'S DELIVERIES, THIS MIGHT BE DIFFICULT TO EXPLAIN BACK HOME. EGYPT HAS ALMOST ALWAYS BEEN ON TIME WITH ITS PAYMENTS IN PAST (EXCEPT FOR SHORT PERIOD LAST YEAR WHEN SHIPMENTS WERE SUSPENDED), AND CENTRAL BANK ASSURES THAT CONDITION WILL BE VERY TEMPORARY SINCE FUNDS ARE DUE IN SHORTLY. LARGE NUMBER OF DEBT PAYMENTS ARE OVERDUE, BUT THEY WILL ALL BE COVERED "BEFORE END OF JULY". (MINFIN ABU ISMAIL TOLD AMBASSADOR ON JUNE 30 THAT FIRST TRANCHE OF KUWAITI CONTRIBUTION, \$150 MILLION, HAS ALREADY BEEN DEPOSITED.)

4. COMMENT: BURNS WAS INTERESTED IN HIGHLY CONCESSIONARY TERMS USED IN PL 480 WHEAT SALES, AND COMMENTED THAT AUSTRALIA COULD NEVER GO THAT FAR. WHILE HE CLEARLY WAS NOT SPEAKING FOR HIS GOVERNMENT, HE SAID THAT SOME ARRANGEMENT MIGHT BE MADE TO EASE THE SHORT-TERM BURDEN ON GOE. AMOUNTS INVOLVED ARE LARGE ENOUGH TO MAKE A DIFFERENCE, PARTICULARLY IF ADDED TO OTHER FACTS OF RESCUE OPERATION, AND AUSTRALIA'S
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PARTICIPATION IN EFFORTS TO BE OF ASSISTANCE TO EGYPT COULD BE USEFUL AS A FURTHER SIGN OF BROAD WESTERN SUPPORT FOR SADAT REGIME. EMBASSY SUGGEST THAT DEPT CONSIDER DISCUSSING POSSIBILITIES WITH AUSTRALIANS.
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